



*State of California*  
***Employment Training Panel***

*Arnold Schwarzenegger, Governor*

May 26, 2010

Daniel Hong  
Deputy General Manager  
Korea Radio, Inc., d.b.a. Radio Korea  
3700 Wilshire Blvd, Suite 600  
Los Angeles, CA 90010

Dear Mr. Hong:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET05-0194 for the period November 8, 2004 through November 7, 2006.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. The demand letter includes an overpayment of \$21,005 previously identified by the ETP Fiscal Unit. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

*Original signed by*  
Stephen Runkle  
Audit Manager

Enclosures

cc: Richard Choi, President

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# **KOREA RADIO, INC., d.b.a. RADIO KOREA**

Agreement No. ET05-0194

Final Audit Report

For The Period

November 8, 2004 through November 7, 2006

Report Published May 26, 2010

Stephen Runkle, Audit Manager  
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ET05-0194.fnl

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# AUDITOR'S REPORT

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## Summary

We performed an audit of Korea Radio, Inc., d.b.a. Radio Korea's compliance with Agreement No. ET05-0194, for the period November 8, 2004 through November 7, 2006. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period November 17, 2008 through November 20, 2008.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$402,505. Our audit supported \$345,720 is allowable. The ETP Fiscal Unit previously identified an overpayment of \$21,005. Thus, an additional \$35,780 is disallowed and must be returned to ETP. The disallowed costs resulted from five trainees who were not eligible to receive training reimbursement, and two trainees who were placed in occupations not included in the Agreement. We also noted administrative findings for three trainees who did not meet retrainee eligibility requirements and for the inaccurate reporting of trainee wage rates.

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## AUDITOR'S REPORT (continued)

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Background Korea Radio, Inc., d.b.a. Radio Korea (Radio Korea) was established in 1989. Headquartered in Los Angeles, Radio Korea provides a variety of Korean language broadcasts to audiences throughout California, 12 other states, and Canada.

This Agreement is the first between Radio Korea and ETP. At the time of this project, Radio Korea was investing approximately \$1.5 million in new state-of-the-art production and broadcasting equipment. This substantial investment in modernization then mandated that the company initiate an extensive training process to update employee skills as well. Therefore, this training project provided for training in Business Skills, Computer and Commercial Skills, Continuous Improvement, and Management Skills.

This Agreement allowed Radio Korea to receive a maximum reimbursement of \$451,000 for retraining 130 employees. During the Agreement term, the Contractor placed 109 trainees and was reimbursed \$381,500 by ETP.

Objectives,  
Scope, and  
Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Korea Radio, Inc., d.b.a. Radio Korea. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Korea Radio, Inc., d.b.a. Radio Korea complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Training documentation supports that trainees received the training hours reimbursed by ETP and met the minimum training hours identified in the Agreement.

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## AUDITOR'S REPORT (continued)

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- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

### Conclusion

As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Finding and Recommendation Section of our report, our audit revealed \$345,720 of the \$402,505 paid to the Contractor under this Agreement was allowable. The ETP Fiscal Unit previously identified an overpayment of \$21,005. The balance of \$35,780 is disallowed in this report and must be returned to ETP.

### Views of Responsible Officials

The audit findings were discussed with Daniel Hong, Deputy General Manager, at an exit conference held on November 20, 2008 and by telephone on May 25, 2010. Mr. Hong agreed to bypass issuance of the draft report and proceed to the final audit report.

The issuance of your final audit report with a demand for repayment of funds that includes an overpayment previously identified by the ETP Fiscal Unit has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs that resulted from our audit and the Fiscal overpayment beginning November 20, 2008, through the issue date of this final audit report. The interest waiver (adjustment) was \$5,153.41, which was deducted from the total accrued interest.

### Audit Appeal Rights

If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

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## AUDITOR'S REPORT (continued)

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### Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle  
Audit Manager

Fieldwork Completion Date: November 20, 2008

*This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET05-0194 and should not be used for any other purpose.*

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## SCHEDULE 1 – Summary of Audit Results

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### KOREA RADIO, INC., d.b.a. RADIO KOREA

AGREEMENT NO. ET05-0194

FOR THE PERIOD

NOVEMBER 8, 2004 THROUGH NOVEMBER 7, 2006

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 402,505</u>	
Overpayment Previously Identified by ETP Fiscal Unit	21,005	
Disallowed Costs:		
Ineligible Training Hours	22,640	Finding No. 1
Ineligible Trainee Occupation	13,140	Finding No. 2
Retrainee Eligibility Requirement Not Met	-	Finding No. 3
Inaccurate Reporting	-	Finding No. 4
Total Costs Disallowed	<u>35,780</u>	
Training Costs Allowed	<u>\$ 345,720</u>	

\* See Findings and Recommendations Section.



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## FINDINGS AND RECOMMENDATIONS

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### **FINDING NO. 1 –** Ineligible Training Hours

Payroll information provided by Korea Radio, Inc. d.b.a. Radio Korea (Radio Korea) along with training records maintained by Radio Korea show three Job No. 2 trainees were not employed by Radio Korea as of the start of training and two trainees placed in both Job No. 1 and 2 were not employed by Radio Korea at any time during training or their required 90-day retention period. Therefore, we have disallowed \$22,640 in training costs claimed for these trainees.

Exhibit A, Paragraph III of the Agreement between ETP and Radio Korea requires that retrainees be employed full-time by the Contractor as of the start date of that individual's training.

Exhibit A, Paragraph VII. A. of the Agreement states, "Each trainee must be employed full-time, at least 35 hours per week, with the Contractor for a period of at least ninety (90) consecutive days immediately following the completion of training. The period shall be completed no later than the last day of this Agreement..."

Paragraph 2 (b) of the Agreement states, "Reimbursement for class/lab training for trainees in Job Number 1 [and in Job Number 2 per Amendment No. 1] will be based on the total actual number of training hours completed... providing the minimum and no more than the maximum hours are met." The Agreement required that Job No. 1 and 2 trainees receive a respective minimum of 60 and 24 class/lab training hours with a maximum of 200 hours per Job.

Based on Radio Korea payroll and training records, Trainee Nos. 1, 3, and 9 began training prior to being hired and employed full-time by Radio Korea. Training hours that occurred prior to their hire date are ineligible for reimbursement since they took place prior to employment. Furthermore, Employment Development Department (EDD) base wage reports do not support any employment for these trainees in California with any other company associated with and/or previously acquired by Radio Korea prior to or during their training periods.

Based on Radio Korea payroll and training records, Trainee Nos. 6 and 7 were never employed during training or the required retention period after training. Training hours that occurred while not employed by Radio Korea and/or without these trainees completing a required retention period are ineligible for reimbursement. Furthermore, Employment Development Department (EDD) base wage reports do not support any employment for these trainees in California with any other company associated with and/or previously acquired by Radio Korea prior to, during or after their training periods within the term of the Agreement.

## FINDINGS AND RECOMMENDATIONS (continued)

Finding No. 1 (Table A) included below details the paid training hours, training periods per Radio Korea training records, actual hire dates per Radio Korea payroll records, ineligible training hours, audited hours, and disallowed costs for each trainee noted above.

Trainee No.	Job No.	Paid Hours	Training Period	Actual Hire Date	Ineligible Training Hours	Audited Hours	Disallowed Costs
1	2	180	1/16/06 - 2/27/06	2/1/06	66	114	\$ 1,320
3	2	180	1/16/06 - 2/27/06	2/24/06	168	12	3,600
6	1	173	11/15/05 - 1/11/06	None	173	0	3,460
6	2	180	1/16/06 - 2/27/06	None	180	0	3,600
7	1	173	11/15/05 - 1/11/06	None	173	0	3,460
7	2	180	1/16/06 - 2/27/06	None	180	0	3,600
9	2	180	1/16/06 - 2/27/06	3/27/06	180	0	3,600
Total							\$22,640
Note:							
Less than the Job No. 2 minimum required training hours were eligible for Trainee No. 3							
Radio Korea could provide no hire date or payroll information for Trainee Nos. 6 and 7							

**Recommendation** Radio Korea must return \$22,640 to ETP. In the future, the Contractor should ensure that only eligible training hours are submitted for reimbursement by ETP.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 2 –** Radio Korea claimed reimbursement for two trainees placed in both Ineligible Trainee Occupations Job No. 1 and 2 who were not employed in occupations specified in the Agreement. Therefore, we have disallowed \$13,140 in training costs for these trainees (\$3,460 + \$3,600) + (2,480 + \$3,600).

Exhibit A, Paragraph VII. A. of the Agreement states, “Employment for each trainee shall be in the occupations listed in [the Agreement]....” The occupations identified in the Agreement for Job No. 1 did not include President or Chief Financial Officer.

Paragraph 5 (i) of the Agreement states, “No senior level managers or executive staff who set company policy are included in ETP-funded training under this Agreement.”

The following table shows the job title during retention for both Job No. 1 and 2, as provided by Radio Korea, for the two trainees.

Trainee No.	Job No.	Job Title
2	1	President
2	2	President
5	1	Chief Financial Officer
5	2	Chief Financial Officer

**Recommendation** Radio Korea must return \$13,140 to ETP. In the future, the Contractor should ensure all trainees are employed in the occupations specified in the Agreement and/or were not employed in senior level or executive positions, prior to claiming reimbursement from ETP.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 3 –** Trainee employment information shows one Job No. 1 trainee and  
Retrainee two Job No. 2 trainees did not meet retrainee eligibility  
Eligibility requirements prior to the start date of training. As a result, the  
Requirement Not Contractor did not comply with trainee eligibility requirements as  
Met specified during the term of this Agreement.

Unemployment Insurance Code, Section 10201(c) and Exhibit A, Paragraph III of the Agreement required a trainee be employed full-time by the Contractor or a participating employer for a minimum of 90 days before the trainee begins training. Otherwise, to be eligible a trainee must have been employed at least 20 hours per week for at least 90 days by an eligible employer during the 180-day period preceding the trainee's hire date with the current employer.

Trainee No. 3 was hired on February 24, 2006, and training records show the trainee began training on April 3, 2006. Employment Development Department (EDD) base wage information supports the Contractor reported hire date, and does not support other prior employment in California. Since the trainee's hire date is only 38 days prior to the start of training, Trainee No. 3 did not meet retrainee eligibility requirements.

Trainee No. 4 was hired on January 16, 2006, and training records show the trainee began training on January 16, 2006. Employment Development Department (EDD) base wage information supports the Contractor reported hire date, and does not support other prior employment in California. Since the trainee's hire date is 0 days prior to the start of training, Trainee No. 4 did not meet retrainee eligibility requirements.

Trainee No. 8 was hired on May 17, 2006, and training records show the trainee began training on July 5, 2006. Employment Development Department (EDD) base wage information supports the Contractor reported hire date, and does not support other prior employment in California. Since the trainee's hire date is only 49 days prior to the start of training, Trainee No. 8 did not meet retrainee eligibility requirements.

**Recommendation** Radio Korea should ensure that all trainees meet eligibility requirements specified during the term of the Agreement. Failure to do so may result in repayment of unearned funds, plus applicable interest, to ETP.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 4 –** Trainee hourly wage rates reported by Radio Korea on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements. Thus, we have assessed an administrative finding for inaccurate reporting of trainee wage rates.

Inaccurate  
Reporting

Paragraph 2 (d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP.” Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, page 4, Paragraph VII.A of the Agreement. This section states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on payroll documents provided by Radio Korea for 100 percent of sample trainees. This sample included 7 trainees who are paid on a commission basis, and 8 trainees who are paid on a regular salary basis. Since commission based trainees have hourly wage rates that vary each month, we only verified that these trainees earned an average hourly wage rate that met the minimum requirements for this Agreement. However, based on payroll documents provided by Radio Korea, 4 of the remaining 8 trainees, who were paid on a regular salary basis, had wage rates reported to ETP by Radio Korea that varied by more than 5 percent or more from their actual wage rates (50 percent).

**Recommendation** In the future, Radio Korea should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

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## ATTACHMENT A – Appeal Process

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### 4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
  - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
  - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
    - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
      - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
      - (2) Conduct a hearing on a regularly-scheduled meeting date; or
      - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
    - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
    - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

**Amended: December 30, 2006**